PART IV

Section 1-A

THE STATE BANK OF INDIA (AMENDMENT) BILL 1963

NOTIFICATION.

(LAW DEPARTMENT.)

No. LAW 13 LCA 64, Bangalore, dated 17th March 1964.

Ordered that the State Bank of India (Amedment) Bill 1963 (No. 63 of 1963) which has been published in the *Gazette of India*, Extraordinary, Part II, Section 2, dated the 21st December 1963 be republished in the *Mysore Gazette*, for general information.

By Order and in the name of the Governor of Mysore,

S. SRIPADARAJ,
Under Secretary to Government,
Law Department.

LOK SABHA

The following Bills were introduced in Lok Sabha on the 21st December, 1963 :—

BILL NO. 63 OF 1963.

A Bill further to amend the State Bank of India Act, 1955.

BE it enacted by Parliament in the Fourteenth Year of the Republic of India as follows :—

1. Short title and commencement.—(1) This Act may be called the State Bank of India (Amendment) Act, 1963.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette appoint.

2. Amendment of section 2.—In section 2 of the State Bank of India Act, 1955 (23 of 1955) (hereinafter referred to as the principal Act),—

(*i*) after clause (*b*), the following clause shall be inserted, namely :—

'(*bb*) "chairman" means the chairman of the Central Board ;';

(*ii*) after clause (*d*), the following clause shall be inserted, namely :—

'(*dd*) "Local Board" means a Local Board constituted under section 21 ;';

(*iii*) after clause (*h*), the following clause shall be inserted, namely :—

'(*i*) "vice-chairman" means the vice-chairman of the Central Board.'

3. Amendment of section 19.—In section 19 of the principal Act,—

(*a*) in sub-section (1)—

(*i*) in clause (*a*), the words ",except in the case of first appointments," shall be omitted;

(*ii*) for clauses (*c*) and (*d*), the following clauses shall be substituted, namely :—

"(*bb*) the presidents of the Local Boards appointed under sub-section (5) of section 21, *ex officio* ;

(*c*) if the total amount of the holdings of the shareholders, other than the Reserve Bank, whose names are on the principal register three months before the date fixed for election of directors is—

(*i*) not more than ten per cent. of the total issued capital, two directors,

(*ii*) more than ten per cent. but not more than twenty-five per cent. of such capital, three directors, and

(*iii*) more than twenty-five per cent. of such capital, four directors,
to be elected in the prescribed manner by such shareholders ;

(*d*) not less than two and not more than six directors to be nominated by the Central Government in consultation with the Reserve Bank, from among persons having special knowledge of the working of co-operative institutions and of rural economy or experience in commerce, industry, banking or finance; ";

(*b*) sub-sections (2) and (3) shall be omitted.

4. Amendment of section 20.—In section 20 of the principal Act,—

(*a*) in sub-section (2), the words "or, in the case of the first two appointments, the Central Government." shall be omitted

(*b*) for sub-section (5), the following sub-section shall be substituted, namely :—

"(5) The following provisions shall have effect in relation to directors nominated under clause (*d*) of sub-section (1) of section 19, to the Central Board reconstituted for the first time on or after the commencement of the State Bank of India (Amendment) Act, 1963, namely :—

(i) if the number of such directors holding office at the end of one year from the date of such reconstitution is not more than three, then one of such directors, and if such number exceeds three, then two of them, shall retire at the end of the said year ;

(ii) if the number of such directors holding office at the end of two years from the date of such reconstitution is not more than three then one of such directors, and if such number is four, then two of them, shall retire at the end of the said two years ;

(iii) if the number of such directors holding office at the end of three years from the date of such reconstitution is not more than two, then one of such directors shall retire at the end of the said three years ;

(iv) any such director holding office for a period of four years from the date of such reconstitution shall retire at the end of such period ;

(v) the director or directors to retire at the end of each year under clauses (i), (ii) and (iii) shall be determined by lot.".

5. Substitution of new section for section 21.—For section 21 of the principal Act, the following section shall be substituted, namely :—

21. **Local Boards.**—"(1) There shall be constituted at each place where the State Bank has a local head office, a Local Board which shall consist of the following members, namely :—

(*a*) the chairman, *ex-officio*.

(*b*) all such directors elected or nominated to the Central Board under clause (*c*) or clause (*d*) of sub-section (1) of section 19 as are ordinarily resident in the area served by the branch register of the local head office ;

(*c*) six members to be nominated by the Central Government in consultation with the Reserve Bank ;

(*d*) one member to be elected in the prescribed manner by the shareholders, other than the Reserve Bank, whose names are entered in the branch register of the local head office if the total holdings of such share-holders amount to two and a half per cent or more of the total issued capital :

Provided that a person elected as a member of a Local Board under this clause shall not cease to be a member thereof for reason only that the total holdings as aforesaid fall below two and a half per cent of the total issued capital at any time after his election;

(*e*) the secretary and treasurer of the local head office, appointed by the State Bank, *ex-officio*.

(2) Where as a result of the establishment of any local head office (hereinafter referred to as the new local head office) for any area which is already served by the branch register of another local head office (hereinafter referred to as the existing local head office) a Local Board (hereinafter referred to as the new Local Board) is constituted for the new local head office, any person who is, at the time of such constitution, holding office as a member of a Local Board (hereinafter referred to as the existing Local Board) for an

existing local head office under clause (*c*) or clause (*d*) of sub-section (1) and is ordinarily resident in the area served by the branch register of the new local head office, shall cease to hold office as member of the existing Local Board and shall become a member of the new Local Board and shall on becoming such member be deemed to have been nominated or, as the case may be, elected to the new Local Board and shall hold office as such member for the unexpired portion of his term of office as a member of the existing Local Board.

(3) Any vacancy caused in the existing Local Board as a result of any member thereof becoming a member of the new Local Board under sub-section (2) shall be deemed to be a casual vacancy and be filled in accordance with the provisions of section 25.

(4) Notwithstanding anything contained in clause (*d*) of sub-section (1),—

(*a*) on the reconstitution of an existing Local Board for the first time on or after the commencement of the State Bank of India (Amendment) Act, 1963, or

(*b*) on the constitution of a new Local Board under sub-section (2) of which an elected member of an existing Local Board does not in pursuance of that sub-section become a member,

the Reserve Bank shall nominate a member in place of the member to be elected under that clause and such nominated member shall be deemed to have been elected under the said clause.

(5) The Governor of the Reserve Bank shall, in consultation with the chairman, appoint—

(*a*) a member of a Local Board nominated or elected under clause (*c*) or clause (*d*) or sub-section (1) to be the president thereof, and

(*b*) a member of a Local Board holding office under clause (*b*) or nominated or elected under clause (*c*) or clause (*d*) of that sub-section to be the vice-president thereof."

6. Insertion of new sections 21A, 21B and 21C.—After section 21 of the principal Act, the following sections shall be inserted, namely :—

Term of office of members of Local Board.—"21A. (1) Subject to the provisions contained in this section and in sub-section (2) of section 21, a member of a Local Board nominated under clause (*c*) of sub-section (1) of section 21 or elected under clause (*d*) of that sub-section shall hold office for two years and thereafter until his successor has been duly nominated or elected and shall be eligible for re-nomination or re-election, as the case may be :

Provided that out of the six members nominated under clause (*c*) of sub-section (1) of section 21, on the constitution of a new Local Board or the reconstitution of an existing Local Board for the first time on or after the commencement of the State Bank of India (Amendment) Act, 1963, three shall retire at the end of one year and three shall retire at the end of two years from the date of the constitution or, as the case may be, re-constitution of that Local Board, and the members to retire at the end of the first year shall be determined by lot.

(2) A member of a Local Board nominated by the Reserve Bank under sub-section (4) of section 21 shall retire at the expiry of one year from the date of such nomination.

(3) A director of the Central Board becoming a member of a Local Board by virtue of the provisions of clause (*b*) of sub-section (1) of section 21 shall cease to hold office as such member on his ceasing to be a director or on his ceasing to be ordinarily resident in the relevant area.

(4) The president and the vice-president of a Local Board shall each hold office for two years or the remaining period of his office as a member of the Local Board, whichever is shorter, and shall be eligible for re-appointment so long as he is a member of the Local Board.

Power of Local Board.—21B. Save as may otherwise be prescribed and subject to any general or special directions which the Central Board may give from time to time, a Local Board shall, in respect of the area served by the branch register of the local head office for which the Board has been constituted, exercise all powers and perform all functions and duties of the State Bank in relation to any business that may be carried on or transacted by the State Bank under sub-section (1) of section 32 and clauses (*i*) (excluding the proviso), (*ii*), (*iii*), (*v*) to (*ix*), (*xa*), (*xii*) to (*xv*), (*xvii*), (*xviii*), (*xixb*) and (*xixc*) of section 33 and shall exercise such other powers and perform such other functions and duties as may be conferred on or assigned to it by the Central Board.

Local Committees.—21C. (1) A Local Committee may be constituted by the Central Board for any area and shall consist of such number of members as may be prescribed.

(2) The chairman shall be an *ex officio* member of every such Local Committee.

(3) A Local Committee shall exercise such powers and perform such functions and duties as the Central Board may confer on or assign to it.".

7. Amendment of section 22.—In section 22 of the principal Act, in sub-section (*1*),—

(*a*) in clause (*d*), after the words "managing director,", the words "secretary and treasurer," shall be inserted ;

(*b*) for the proviso, the following proviso shall be substituted, namely :—

"Provided that in the case of a member of Local Board nominated by the Reserve Bank under sub-section (*4*) of section 21, the disqualification mentioned in clause (*h*) shall not operate for a period of six months from his becoming such member."

8. **Amendment of section 24.**—In section 24 of the principal Act, in sub-section (*3*), after the word and figures "section 19", the words, brackets, letter and figures "or any member of a Local Board nominated under clause (c) of sub-section (*1*) of section 21" shall be inserted.

9. **Amendment of section 25.**—In section 25 of the principal Act, for sub-section (2), the following sub-section shall be substituted, namely :—

"(*2*) Where any vacancy occurs before the expiry of the term of office of a director, other than the chairman, vice-chairman or a managing director or of a member of a Local Board other than the secretary and treasurer, the vacancy shall be filled—

(*a*) in the case of an elected director or member, by election ; and

(*b*) in the case of a director nominated under clause (*d*) of sub-section (*1*) of section 19 or a member of a Local Board nominated under clause (c) of sub-section (*1*) of section 21, by nomination in consultation with the Reserve Bank :

Provided that where the duration of the vacancy in the office of an elected director or member is likely to be less than six months, the vacancy may be filled by the remaining directors or members, as the case may be, by co-opting a person not disqualified under section 22."

10. Insertion of new section after section 31.—After section 31 of the principal Act, the following section shall be inserted in Chapter V, namely :—

Meetings of Local Boards.—"31A. (*1*) A Local Board shall meet at such time and place and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed.

(*2*) All questions at the meeting shall be decided by a majority of the votes of the members present and in the case of equality of votes, the person presiding at the meeting shall have a second or casting vote.

(3) A member who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal entered into or proposed to be entered into by or on behalf of the State Bank, shall, at the earliest possible opportunity disclose the nature of his interest to the Local Board and shall not be present at any meeting of the Local Board when any such contract, loan, arrangement or proposal is discussed unless his presence is required by the other members for the purpose of eliciting information, and no member so required to be present shall vote on any such contract, loan, arrangement or proposal :

Provided that nothing contained in this sub-section shall apply to such member by reason only of his being—

(*i*) a shareholder (other than a director) holding not more than two per cent of the paid up capital in any public company as defined in the Companies Act, 1956, (1 of 1956) or any corporation established by or under any law for the time being in force in India or any co-operative society, with which or to which the State Bank has entered into or made or proposes to enter into or make, a contract, loan, arrangement or proposal ; or

(*ii*) a director *ex-officio* of the State Bank or a director of a subsidiary bank.

(*4*) If for any reason neither the president nor the vice-president is able to be present at a meeting of the Local Board, any member, other than the secretary and treasurer, elected by the members present from amongst themselves, shall preside at the meeting.

(*5*) Notwithstanding anything contained in this section, the chairman shall preside at any meeting of a Local Board at which he is present and in the absence of the chairman, the vice-chairman, if he is a member of the Local Board, shall, whenever he is present, preside at such meeting."

11. Amendment of section 33.—In section 33 of the principal Act, in clause (*xixb*), for the words "seven years", the words "ten years" shall be substituted.

12. Amendment of section 36.—In section 36 of the principal Act, to sub-section (1), the following proviso shall be added namely :—

"Provided that if the balance in the Integration and Development Fund on the date of declaration of any dividends by the State Bank is rupees five crores or more, no amount shall be paid into that Fund under clause (*a*) and the dividends payable to the Reserve Bank shall be paid to that Bank; and if such balance on such date is less than rupees five crores, only so much of the dividends then payable as will bring such balance to rupees five crores shall be paid into that Fund and the balance of such dividends shall be paid to the Reserve Bank.".

13. Amendment of section 41.—In section 41 of the principal Act, in clause (*a*) of sub-section (7), for the words "a true and correct view", the words "a true and fair view" shall be substituted.

14. Amendment of section 43.—Section 43 of the principal Act shall be re-numbered as sub-sectio

(1) thereof and after sub-section (1) as so re-numbered, the following sub-section shall be inserted, namely :—

"(2) The officers, advisers and employees of the State Bank shall exercise such powers and perform such duties as may be entrusted or delegated to them by the Central Board.".

15. Omission of section 48.—Section 48 of the principal Act shall be omitted.

16. Amendment of section 50.—In section 50 of the principal Act, in sub-section (2),—

(*a*) for clause (*d*), the following clause shall be substituted, namely :—

"(*d*) the powers, functions and duties of Local Boards and the restrictions, conditions or limitations, if any, subject to which they may be exercised or performed, the formation and constitution of Local Committees (including the number of members of any such Committee) and of committees of Local Boards, the powers, functions and duties of such Committees, the holding of meetings of Local Committees and committees of Local Boards and the conduct of business thereat ; " ;

(*b*) in clause (*f*), after the words "the Central Board", the words "or of Local Boards" shall be inserted ;

(*c*) clause (*h*) shall be omitted.

17. Special provisions as to directors.—When the Central Board is reconstituted for the first time under the provisions of section 19 of the principal Act as amended by this Act,—

(*a*) the chairman and the vice-chairman of the Central Board and the managing directors of the State Bank holding office as such immediately before such

reconstitution shall continue to hold their respective offices after such reconstitution for the unexpired portion of the term of their office ;

(*b*) all the directors of the Central Board deemed to be elected under the proviso to clause (*c*) of sub-section (1) of section 19 of the principal Act or nominated under clause (*d*) of that sub-section and holding office as such immediately before such reconstitution shall be deemed to have vacated their respective offices on such reconstitution ; and the remaining directors elected under clause (*c*), and the directors nominated under clauses (*e*) and (*f*), of the said sub-section (1) shall continue to hold office after such reconstitution until their successors are duly elected under clause (*c*) or, as the case may be, nominated under clauses (*e*) and (*f*), of sub-section (1) of section 19 of the principal Act as amended by this Act.

18. Vacation of office by members of Local Boards.— On the reconstitution of any Local Board for the first time under the principal Act as amended by this Act, all members of that Local Board holding office under clause (*a*) of sub-section (1) of section 21 of the principal Act or elected or nominated under clause (*b*) of that sub-section and holding office as such immediately before such reconstitution, shall be deemed to have vacated their office on such reconstitution.

STATEMENT OF OBJECTS AND REASONS

The business and activities of the State Bank of India have increased very considerably, since the bank was established on the 1st July, 1955. It is, therefore, considered desirable that provision should be made for facilitating .the creation of a larger number of local head offices, for certain changes in the composition of the Central and Local Boards of the bank and for vesting some specific powers in the Local Boards so as to enable the bank to dispose of its business expeditiously and to improve the quality of its services generally.

2. An integration and development fund was created in 1955 for financing the development activities of the bank. As the balance in the fund is now adequate, it is proposed to modify the relevant provisions of the Act, so as to limit the accumulation in the fund at any time to a sum of Rs. 5 crores.

3. The notes on clauses explain the various provisions of the bill.

NEW DELHI ; T. T. KRISHNAMACHARI.
The 16*th December*, 1963.

Notes on Clauses

Clause 3 provides for the revised constitution of the Central Board. It is proposed that apart from the Chairman, the Vice-Chairman, two Managing Directors and one representative each of the Reserve Bank and the Central Government-

(*i*) the Presidents of all Local Boards which have been or may be constituted should become Directors of the Central Board by virtue of their office.

(*ii*) there should be not less than two and not more than four Directors to be elected by shareholders other than Reserve Bank of India whose names are borne on the principal register (as against six directors who are elected at present from the various branch registers), and

(*iii*) there should be not less than two and not more than six directors to be nominated by Central Government in place of eight directors who are nominated at present.

As the elected members of the Central Board will be chosen in future from the principal register, the number of local head offices, or of branch registers maintained at such offices, will not in future be relevant for the purpose of the constitution of the Central Board or for periodical elections to it and there will in consequence be no implied limit to the number of local head offices which may be constituted from time to time.

Clause 4 provides for a consequential amendment to section 20 and for the rotation of the directors nominated on the re-constitution of the Central Board for the first time after the commencement of the amendment Act.

Clause 5 provides for the revised constitution of the Local Boards. A Local Board, after re-organisation, will (apart from the members of the Central Board who are also members of the Local Board) consist of eight members instead of four as at present. Six members will be

nominated by the Central Government and one member will be elected by shareholders whose names are entered on the concerned branch register (as against three nominated members and one elected member as provided for at present). The Secretary and Treasurer of the Local Head Office, by virtue of his office, will also be a member of the Local Board. As the Chairman of the State Bank may not attend all meetings of Local Board, a President will be appointed for every Local Board by the Governor of Reserve Bank from the local elected or nominated members of the Board.

Clause 6 seeks to insert three new sections, namely sections 21A, 21B and 21C, which respectively provide for the term of office of the members of Local Board, the powers of Local Board and the constitution of Local Committees. In order to provide for the expeditious disposal of the business of the bank, the powers of Local Boards are proposed to be increased, particularly in so far as the grant of loans and advances is concerned.

Clauses 7 to 10 provide for consequential amendments as a result of the provision for the re-constitution of the Local Boards.

Clause 11 seeks to amend section 33 (xixb) so as to permit the State Bank to grant term loans to industrial or commercial units, which may be generally approved for this purpose by the Central Board, for periods up to ten years (instead of seven years as at present).

Clause 12 amends section 36. When the State Bank of India was established, provision was made for the dividends declared by that bank, and due to be paid to the Reserve Bank of India, to be credited (so far as these dividends relate to 55 per cent of the share capital of the State Bank of India, which is the minimum required to be held by the Reserve Bank of India at any time) to an integration and development fund. This fund was intended and has been utilised for financing the development

activities of the Bank. As the amount available in this fund is now considered to be adequate, it is no longer necessary to continue the provision for the dividends in question to be credited unconditionally or for an indefinite period to the fund. It is, therefore, proposed that if the credit balance in the fund at the time of the declaration of any future dividend by the State Bank is Rs. 5 crores or more, the dividends due to the Reserve Bank, on the compulsory minimum holding of shares, should be paid to the Reserve Bank, instead of being credited to the fund.

Clauses 13 to 15. The amendments proposed are of a clarificatory or drafting nature.

Clause 16 provides for certain consequential amendments to section 50 of the State Bank of India Act which deals with regulations for giving effect to the provisions of the Act.

Clause 17 provides for the continuance in office of the Chairman, Vice Chairman and Managing Directors of the Bank and for the vacation of their office by the directors of the Central Board of the Bank other than those representing the Reserve Bank and the Central Government so as to facilitate the reconstitution of the Central Board under the amended provision.

Memorandum Regarding Delegated Legislation

Clause 16 of the Bill seeks to amend section 50 of the Act which empowers the Central Board to make regulations for the purpose of giving effect to the provisions of the Act. The matters in respect of which such regulations may be made have been specified in the said section. The amendment to the section is being proposed with a view to enable the Central Board to prescribe *inter alia* the restrictions, conditions or limitations, if any, subject to which the powers, functions and duties of Local Boards may be exercised or performed, and the number of members of Local Committees. These are matters of a routine or administrative nature. The delegation of legislative powers is thus of a normal character.

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